

§ 1.168(k)-0

26 CFR Ch. I (4-1-12 Edition)

Example. In the summer of 1927, the Board of Aldermen of City C passed a resolution authorizing the design and construction of a new city hall and appropriated the funds necessary for such project. Construction was completed in 1928. At the time of the significant official governmental action, City C had no plan to enter into a sale-leaseback arrangement with respect to the facility. On December 15, 1984, City C entered into a binding sale-leaseback arrangement concerning the city hall. This transaction will not qualify for exclusion from section 168(j) under the section 31(g)(4) of TRA since construction of the facility in question was substantially completed before January 1, 1983. If, however, there had been significant official governmental action on or before November 1, 1983 with respect to the sale-leaseback project, then the transitional rule of section 31(g)(4) of TRA would apply.

[T.D. 8033, 50 FR 27224, July 2, 1985, as amended by T.D. 8435, 57 FR 43896, Sept. 23, 1992]

§ 1.168(k)-0 Table of contents.

This section lists the headings that appear in § 1.168(k)-1.

§ 1.168(k)-1 Additional first year depreciation deduction.

- (a) Scope and definitions.
 - (1) Scope.
 - (2) Definitions.
- (b) Qualified property or 50-percent bonus depreciation property.
 - (1) In general.
 - (2) Description of qualified property or 50-percent bonus depreciation property.
 - (i) In general.
 - (ii) Property not eligible for additional first year depreciation deduction.
 - (A) Property that is not qualified property.
 - (B) Property that is not 50-percent bonus depreciation property.
 - (3) Original use.
 - (i) In general.
 - (ii) Conversion to business or income-producing use.
 - (A) Personal use to business or income-producing use.
 - (B) Inventory to business or income-producing use.
 - (iii) Sale-leaseback, syndication, and certain other transactions.
 - (A) Sale-leaseback transaction.
 - (B) Syndication transaction and certain other transactions.
 - (C) Sale-leaseback transaction followed by a syndication transaction and certain other transactions.
 - (iv) Fractional interests in property.
 - (v) Examples.
 - (4) Acquisition of property.
 - (i) In general.
 - (A) Qualified property.
 - (B) 50-percent bonus depreciation property.

- (ii) Definition of binding contract.
 - (A) In general.
 - (B) Conditions.
 - (C) Options.
 - (D) Supply agreements.
 - (E) Components.
- (iii) Self-constructed property.
 - (A) In general.
 - (B) When does manufacture, construction, or production begin.
 - (1) In general.
 - (2) Safe harbor.
 - (C) Components of self-constructed property.
 - (1) Acquired components.
 - (2) Self-constructed components.
 - (iv) Disqualified transactions.
 - (A) In general.
 - (B) Related party defined.
 - (v) Examples.
 - (5) Placed-in-service date.
 - (i) In general.
 - (ii) Sale-leaseback, syndication, and certain other transactions.
 - (A) Sale-leaseback transaction.
 - (B) Syndication transaction and certain other transactions.
 - (C) Sale-leaseback transaction followed by a syndication transaction and certain other transactions.
 - (iii) Technical termination of a partnership.
 - (iv) Section 168(i)(7) transactions.
 - (v) Example.
 - (c) Qualified leasehold improvement property.
 - (1) In general.
 - (2) Certain improvements not included.
 - (3) Definitions.
 - (d) Computation of depreciation deduction for qualified property or 50-percent bonus depreciation property.
 - (1) Additional first year depreciation deduction.
 - (i) In general.
 - (ii) Property having a longer production period.
 - (iii) Alternative minimum tax.
 - (2) Otherwise allowable depreciation deduction.
 - (i) In general.
 - (ii) Alternative minimum tax.
 - (3) Examples.
 - (e) Election not to deduct additional first year depreciation.
 - (1) In general.
 - (i) Qualified property.
 - (ii) 50-percent bonus depreciation property.
 - (2) Definition of class of property.
 - (3) Time and manner for making election.
 - (i) Time for making election.
 - (ii) Manner of making election.
 - (4) Special rules for 2000 or 2001 returns.
 - (5) Failure to make election.
 - (6) Alternative minimum tax.
 - (7) Revocation.
 - (i) In general.

Internal Revenue Service, Treasury

§ 1.168(k)-1

- (ii) Automatic 6-month extension.
- (f) Special rules.
- (1) Property placed in service and disposed of in the same taxable year.
 - (i) In general.
 - (ii) Technical termination of a partnership.
 - (iii) Section 168(i)(7) transactions.
 - (iv) Examples.
- (2) Redetermination of basis.
 - (i) Increase in basis.
 - (ii) Decrease in basis.
 - (iii) Definition.
 - (iv) Examples.
- (3) Section 1245 and 1250 depreciation recapture.
- (4) Coordination with section 169.
- (5) Like-kind exchanges and involuntary conversions.
 - (i) Scope.
 - (ii) Definitions.
 - (iii) Computation.
 - (A) In general.
 - (B) Year of disposition and year of replacement.
 - (C) Property having a longer production period.
 - (D) Alternative minimum tax.
 - (iv) Sale-leasebacks.
 - (v) Acquired MACRS property or acquired computer software that is acquired and placed in service before disposition of involuntarily converted MACRS property or involuntarily converted computer software.
 - (A) Time of replacement.
 - (B) Depreciation of acquired MACRS property or acquired computer software.
 - (vi) Examples.
- (6) Change in use.
 - (i) Change in use of depreciable property.
 - (ii) Conversion to personal use.
 - (iii) Conversion to business or income-producing use.
 - (A) During the same taxable year.
 - (B) Subsequent to the acquisition year.
 - (iv) Depreciable property changes use subsequent to the placed-in-service year.
 - (v) Examples.
- (7) Earnings and profits.
- (8) Limitation of amount of depreciation for certain passenger automobiles.
- (9) Section 754 election.
- (10) Coordination with section 47.
- (11) Coordination with section 514(a)(3).
- (g) Effective date.
 - (1) In general.
 - (2) Technical termination of a partnership or section 168(i)(7) transactions.
 - (3) Like-kind exchanges and involuntary conversions.
 - (4) Change in method of accounting.
 - (i) Special rules for 2000 or 2001 returns.
 - (ii) Like-kind exchanges and involuntary conversions.
 - (5) Revisions to paragraphs (b)(3)(ii)(B) and (b)(5)(ii)(B).

- (6) Rehabilitation credit.

[T.D. 9091, 68 FR 52991, Sept. 8, 2003. Redesignated and amended by T.D. 9283, 71 FR 51738, Aug. 31, 2006]

§ 1.168(k)-1 Additional first year depreciation deduction.

(a) *Scope and definitions*—(1) *Scope*. This section provides the rules for determining the 30-percent additional first year depreciation deduction allowable under section 168(k)(1) for qualified property and the 50-percent additional first year depreciation deduction allowable under section 168(k)(4) for 50-percent bonus depreciation property.

(2) *Definitions*. For purposes of section 168(k) and this section, the following definitions apply:

(i) *Depreciable property* is property that is of a character subject to the allowance for depreciation as determined under section 167 and the regulations thereunder.

(ii) *MACRS property* is tangible, depreciable property that is placed in service after December 31, 1986 (or after July 31, 1986, if the taxpayer made an election under section 203(a)(1)(B) of the Tax Reform Act of 1986; 100 Stat. 2143) and subject to section 168, except for property excluded from the application of section 168 as a result of section 168(f) or as a result of a transitional rule.

(iii) *Unadjusted depreciable basis* is the basis of property for purposes of section 1011 without regard to any adjustments described in section 1016(a)(2) and (3). This basis reflects the reduction in basis for the percentage of the taxpayer's use of property for the taxable year other than in the taxpayer's trade or business (or for the production of income), for any portion of the basis the taxpayer properly elects to treat as an expense under section 179 or section 179C, and for any adjustments to basis provided by other provisions of the Internal Revenue Code and the regulations thereunder (other than section 1016(a)(2) and (3)) (for example, a reduction in basis by the amount of the disabled access credit pursuant to section 44(d)(7)). For property subject to a lease, see section 167(c)(2).

(iv) *Adjusted depreciable basis* is the unadjusted depreciable basis of the